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**ODYSSEY HOUSE LOUISIANA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 08 2012**

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Silva Gurtner & Abney

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Odyssey House Louisiana, Inc. (a nonprofit organization) (the Organization) as of June 30, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Odyssey House Louisiana, Inc. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2011 on our consideration of Odyssey House Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Silva Gurtner & Abney, LLC

November 10, 2011

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	ASSETS	
	<u>2011</u>	<u>2010</u>
Current assets		
Cash	\$ 308,288	\$ 12,169
Restricted cash	5	137,455
Investments	10,641	9,436
Receivables:		
Grants receivable	891,049	1,323,021
Other receivables	988	5,316
Unconditional promise to give	45,462	49,089
Inventory	2,000	2,000
Prepaid expenses and deposits	52,292	40,916
Total current assets	<u>1,310,725</u>	<u>1,579,402</u>
Property, buildings and equipment - net	<u>5,479,112</u>	<u>5,424,870</u>
Total assets	<u>\$ 6,789,837</u>	<u>\$ 7,004,272</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 605,680	\$ 747,159
Program advances	-	137,167
Lines of credit	-	3,033,499
Current portion of long-term debt	124,860	-
Total current liabilities	<u>730,540</u>	<u>3,917,825</u>
Long-term debt, net of current portion	2,860,385	-
Net assets		
Unrestricted	3,147,348	3,031,255
Temporarily restricted	45,462	49,090
Permanently restricted	6,102	6,102
Total net assets	<u>3,198,912</u>	<u>3,086,447</u>
Total liabilities and net assets	<u>\$ 6,789,837</u>	<u>\$ 7,004,272</u>

See accompanying independent auditors' report and notes to financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
United Way grant revenue	\$ 19,390	\$ 45,462	\$ -	\$ 64,852
Contributions	151,747	-	-	151,747
Government grants	-	7,270,146	-	7,270,146
Investment return	1,550	-	-	1,550
Other	293,578	-	-	293,578
Net assets released from restrictions	7,319,236	(7,319,236)	-	-
Total revenues and other support	7,785,501	(3,628)	-	7,781,873
Expenses				
Program services				
Residential/detox services	4,325,922	-	-	4,325,922
Outpatient/medical services	919,614	-	-	919,614
Sober living/housing services	1,202,626	-	-	1,202,626
Case management services	366,430	-	-	366,430
Other	44,515	-	-	44,515
Supporting activities				
Management and general	791,272	-	-	791,272
Fundraising	19,029	-	-	19,029
Total expenses	7,669,408	-	-	7,669,408
Changes in net assets	116,093	(3,628)	-	112,465
Net assets, beginning of year	3,031,255	49,090	6,102	3,086,447
Net assets, end of year	\$ 3,147,348	\$ 45,462	\$ 6,102	\$ 3,198,912

See accompanying independent auditors' report and notes to financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
United Way grant revenue	\$ 16,722	\$ 49,090	\$ -	\$ 65,812
Contributions	59,096	-	-	59,096
Government grants	-	7,427,268	-	7,427,268
Investment return	1,182	-	-	1,182
Other	371,842	-	-	371,842
Net assets released from restrictions	7,484,094	(7,484,094)	-	-
Total revenues and other support	7,932,936	(7,736)	-	7,925,200
Expenses				
Program services				
Residential/detox services	4,244,007	-	-	4,244,007
Outpatient/medical services	1,251,052	-	-	1,251,052
Sober living/housing services	1,127,092	-	-	1,127,092
Case management services	540,704	-	-	540,704
Other	91,859	-	-	91,859
Supporting activities				
Management and general	783,872	-	-	783,872
Fundraising	51,679	-	-	51,679
Total expenses	8,090,265	-	-	8,090,265
Changes in net assets	(157,329)	(7,736)	-	(165,065)
Net assets, beginning of year	3,188,584	56,826	6,102	3,251,512
Net assets, end of year	\$ 3,031,255	\$ 49,090	\$ 6,102	\$ 3,086,447

See accompanying independent auditors' report and notes to financial statements.

**ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Services					Supporting Activities		
	Residential/ Detox	Outpatient/ Medical	Sober Living/ Housing	Case Management	Other	Management and General	Fundraising	Total
Compensation expenses	\$ 2,599,541	\$ 599,433	\$ 284,049	\$ 230,331	\$ 29,731	\$ 534,329	\$ 18,984	\$ 4,296,398
Occupancy	256,417	17,324	33,121	50,786	797	41,959	-	400,404
Specific assistance	70,606	100	773,991	1,649	-	-	-	846,346
Other direct program/support expenses	1,218,862	295,861	72,533	83,664	13,987	207,150	45	1,892,102
Total expenses before depreciation	4,145,426	912,718	1,163,694	366,430	44,515	783,438	19,029	7,435,250
Depreciation	180,496	6,896	38,932	-	-	7,834	-	234,158
Total expenses	<u>\$ 4,325,922</u>	<u>\$ 919,614</u>	<u>\$ 1,202,626</u>	<u>\$ 366,430</u>	<u>\$ 44,515</u>	<u>\$ 791,272</u>	<u>\$ 19,029</u>	<u>\$ 7,669,408</u>

See accompanying independent auditors' report and notes to financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services					Supporting Activities		Total
	Residential/ Detox	Outpatient/ Medical	Sober Living/ Housing	Case Management	Other	Management and General	Fundraising	
Compensation expenses	\$ 2,435,298	\$ 820,838	\$ 262,783	\$ 348,355	\$ 48,300	\$ 542,132	\$ 48,479	\$ 4,506,185
Occupancy	213,119	48,093	43,491	61,021	-	52,868	-	418,592
Specific assistance	23,478	-	728,670	2,292	-	-	-	754,440
Other direct program/support expenses	<u>1,418,095</u>	<u>378,673</u>	<u>56,686</u>	<u>129,036</u>	<u>43,559</u>	<u>135,257</u>	<u>3,200</u>	<u>2,164,506</u>
Total expenses before depreciation	4,089,990	1,247,604	1,091,630	540,704	91,859	730,257	51,679	7,843,723
Depreciation	<u>154,017</u>	<u>3,448</u>	<u>35,462</u>	<u>-</u>	<u>-</u>	<u>53,615</u>	<u>-</u>	<u>246,542</u>
Total expenses	<u>\$ 4,244,007</u>	<u>\$ 1,251,052</u>	<u>\$ 1,127,092</u>	<u>\$ 540,704</u>	<u>\$ 91,859</u>	<u>\$ 783,872</u>	<u>\$ 51,679</u>	<u>\$ 8,090,265</u>

See accompanying independent auditors' report and notes to financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Changes in net assets	\$ 112,465	\$ (165,065)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	234,158	246,542
Unrealized appreciation of investments	(1,205)	(1,052)
Changes in operating assets:		
Grants receivable	431,972	432,072
Other receivables	4,328	23
Unconditional promise to give	3,627	5,455
Prepaid expenses and deposits	(11,376)	90,527
Changes in operating liabilities:		
Accounts payable and accrued liabilities	(141,479)	(211,613)
Program advances	<u>(137,167)</u>	<u>(486,155)</u>
Net cash provided by (used in) operating activities	495,323	(89,266)
Cash flows from investing activities		
Purchases of property, buildings and equipment	<u>(288,400)</u>	<u>(874,818)</u>
Net cash used in investing activities	(288,400)	(874,818)
Cash flows from financing activities		
Net change in lines of credit	(48,254)	830,524
Payments under loans payable	<u>-</u>	<u>(344,748)</u>
Net cash provided by (used in) financing activities	<u>(48,254)</u>	<u>485,776</u>
Changes in cash	158,669	(478,308)
Cash, beginning of year	<u>149,624</u>	<u>627,932</u>
Cash, end of year	<u><u>\$ 308,293</u></u>	<u><u>\$ 149,624</u></u>
Reconciliation to the statements of financial position:		
Cash	\$ 308,288	\$ 12,169
Restricted cash	<u>5</u>	<u>137,455</u>
Total cash	<u><u>\$ 308,293</u></u>	<u><u>\$ 149,624</u></u>
Supplemental cash flow information		
Cash paid during the year for:		
Interest	<u><u>\$ 141,680</u></u>	<u><u>\$ 138,773</u></u>

See accompanying independent auditors' report and notes to financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Odyssey House Louisiana, Inc. (the Organization) is a nonprofit corporation organized under the laws of the State of Louisiana. The Organization was established in 1973 as a nonprofit residential substance abuse treatment facility with the mission of empowering people to conquer addiction in Louisiana. Today, the Organization offers a professional, structured and caring therapeutic community with comprehensive services and effective support systems that enable individuals to chart new lives and return to their communities as contributing members. The Organization's primary source of revenue is federal grant income.

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Permanently Restricted Net Assets

These are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets

These are net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets

These are net assets not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gain and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grant revenue is recognized as it is earned in accordance with approved contracts.

Investments

The Organization carries investments in marketable securities with readily determinable fair values (all Level 1 measurements) in the statements of financial position.

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted proceeds for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Receivables

Receivables consisted of amounts owed from various federal, state, and local government agencies for grants and fees for service programs. Management considers that all receivables are collectible. If amounts due become uncollectible, they are charged to operations when the determination is made. There was no bad debt expense for the years ended June 30, 2011 and 2010.

Inventory

Inventory consisted of food purchased in collection with the long-term care provided to clients and is accounted for at cost on the first-in first-out (FIFO) basis.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost. Donations of assets are recorded at estimated fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line basis over three to thirty years.

It is the policy of the Organization to capitalize all property, buildings and equipment that are acquired as a result of a bulk purchase with an aggregate cost that exceeds \$5,000. Other property, buildings and equipment not acquired by bulk purchase are capitalized when the acquisition cost is in excess of \$5,000. Costs incurred for repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all restricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Restricted cash is limited in use to receipts and payments associated with federal and state grants. Restricted cash consists of funds received from Louisiana Public Health Institute. This program requires funds be deposited into a restricted account.

Functional Expenses

The expenses of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statements of functional expenses. Some functional expenses have been allocated among program services and supporting activities based on estimates by management.

In-Kind Contributions

A variety of noncash items, such as clothing, toys, books and building supplies were donated to the Organization throughout the year. These items are recorded as contributions based on their fair market value as of the date of the contribution. The total amount of in-kind contributions reported in the statements of activities for the years ended June 30, 2011 and 2010 was estimated to be \$54,604 and \$26,088, respectively. For the year ended June 30, 2010, \$1,000 of in-kind contributions was capitalized and is reported in the statement of financial position as property, buildings and equipment.

Compensated Absences

Full time salaries employees are allowed to accrue up to 200 hours of paid time off. The balance was \$106,935 and \$130,087 as of June 30, 2011 and 2010, respectively. Compensated absences is included in accounts payable and accrued liabilities.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in local financial institutions that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balances were in excess of the FDIC insurance in the amount of \$175,513 at June 30, 2011. The Organization's cash balances were not in excess of the FDIC insurance at June 30, 2010. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE C – INVESTMENTS

Investments at June 30, 2011 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual Fund	\$ 7,025	\$ 10,641	\$ 4,539	\$ 6,102

Investments at June 30, 2010 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Mutual Fund	\$ 7,025	\$ 9,436	\$ 3,334	\$ 6,102

The mutual fund was created with an initial investment of \$6,077 into an endowment fund administered by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation distributes a portion of the earnings to Odyssey House Louisiana, Inc. while maintaining the integrity of the corpus.

Unrealized appreciation for the years ended June 30, 2011 and 2010 was \$1,205 and \$1,052, respectively, and the cumulative unrealized appreciation as of June 30, 2011 and 2010 was \$3,616 and \$2,411, respectively.

Investment returns consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Interest	\$ 345	\$ 130
Net realized and unrealized gain/(loss)	<u>1,205</u>	<u>1,052</u>
	<u>\$ 1,550</u>	<u>\$ 1,182</u>

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE D – GRANTS RECEIVABLE

The Organization had the following grants receivable as of June 30:

	2011	2010
State of Louisiana:		
Department of Health and Hospitals	\$ 659,682	\$ 755,681
Department of Public Safety and Corrections	-	8,333
Disaster Housing Assistance Program	103,087	-
U.S. Department of Health and Human Services	-	14,654
U.S. Department of Housing and Urban Development	-	205,331
U.S. Department of Labor	-	608
U.S. Probations Office	28,155	67,858
Unity for the Homeless, Inc.	100,125	221,691
Other miscellaneous grants receivable	-	48,865
	<u>\$ 891,049</u>	<u>\$ 1,323,021</u>

NOTE E – UNCONDITIONAL PROMISE TO GIVE

The unconditional promise to give represents the United Way allocation for the program years July 1, 2011 to June 30, 2012 and July 1, 2010 to June 30, 2011, respectively. The United Way allocation totaled \$45,462 and \$49,089 for the years ended June 30, 2011 and 2010, respectively. These amounts are temporarily restricted until the Organization satisfies the time restrictions.

NOTE F – PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment consisted of the following at June 30:

	2011	2010
Buildings and improvements	\$ 4,406,301	\$ 3,477,835
Furniture and fixtures	720,087	661,523
	<u>5,126,388</u>	<u>4,139,358</u>
Less accumulated depreciation	(963,031)	(728,873)
Total assets being depreciated	<u>4,163,357</u>	<u>3,410,485</u>
Land	567,927	567,927
Construction in Progress	406,409	1,096,616
Buildings not in service	341,419	349,842
	<u>\$ 5,479,112</u>	<u>\$ 5,424,870</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$234,158 and \$246,542, respectively.

In 2006, the Organization purchased three buildings with federal funds received under the Housing Opportunities for Persons with Aids (HOPWA) grant. Two of the buildings had not been placed in service as of June 30, 2009, since HOPWA grant funding was suspended in a prior year. The suspension resulted from lack of compliance with the grant requirements related to the purchase of the buildings.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE F – PROPERTY, BUILDINGS AND EQUIPMENT (continued)

The HOPWA grant was officially reinstated September 26, 2008, and the remaining properties were placed in service during the year ended June 30, 2010.

The remaining buildings not in service consist of adjudicated properties received after Hurricane Katrina and property currently under renovation.

NOTE G – BOARD OF DIRECTORS COMPENSATION

The board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the years ended June 30, 2011 and 2010.

NOTE H – FEDERALLY ASSISTED PROGRAMS

Odyssey House Louisiana, Inc. participates in a number of federally assisted programs. These programs were audited in accordance with *Government Auditing Standards* and OMB Circular A-133.

Odyssey House Louisiana, Inc. is reimbursed on a per diem basis on rates set by the State of Louisiana. If there was overpayment due to an error in setting the rate, the state could pursue recoupment. Since the number of beds eligible for state funding exceeded those submitted for reimbursement, management does not believe a change in rate would result in any retroactive adjustment.

NOTE I – ECONOMIC DEPENDENCY

Odyssey House Louisiana, Inc. received the majority of its revenue from funds provided through grants administered by the City of New Orleans and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

The Organization's support through grants totaled 95% and 94% of revenues for the years ended June 30, 2011 and 2010, respectively.

NOTE J – RETIREMENT PLAN

The Organization has a 401(k) Profit Sharing Plan that provides for discretionary matching contributions determined by the employer covering all full-time employees at least twenty-one years of age with one year of eligible experience. The Organization makes matching contributions to the account of each eligible participant in an amount equal to the sum of 100% of the participants' elective deferrals but not to exceed 4% of the participants' compensation. Contributions to the plan during the years ended June 30, 2011 and 2010 were \$32,058 and \$33,480, respectively.

NOTE K – LONG-TERM DEBT

Long-term debt consisted of three lines of credit totaling \$2,985,245 and \$3,033,499 as of June 30, 2011 and 2010, respectively. On August 2, 2011, the line of credit totaling \$53,725 was paid in full. On November 10, 2011, the two remaining lines of credit were refinanced into a long term note payable of \$2,935,000 and a line of credit with a maximum borrowing amount of \$100,000. Accordingly, \$2,985,245 was reclassified to long-term debt, of which \$124,860 is the current portion.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE K – LONG-TERM DEBT (continued)

During the year ended June 30, 2009, the Organization established a commercial line of credit with JP Morgan Chase Bank for a maximum borrowing amount of \$2,000,000. Interest on the note was 3.19475% and 3.35406% as of June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the principal balance of the line of credit was \$1,834,996 and \$1,835,000, respectively.

On April 30, 2010, the Organization renewed a line of credit with JP Morgan Chase Bank with a maximum borrowing of \$302,975. Interest on the note was 4.19235% and 5.59306% as of June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the principal balance outstanding on the line of credit was \$53,725 and \$101,725, respectively.

The lines of credit with JP Morgan Chase Bank above were collateralized by a mortgage encumbering property located in New Orleans, Louisiana and the Organization's accounts receivable.

On July 24, 2009, the Organization established a line of credit with JP Morgan Chase Bank for a maximum borrowing of \$1,100,000. Interest on the note was 4.4425% and 7.05331% as of June 30, 2011 and 2010, respectively. The note is collateralized by three properties owned by the Organization. As of June 30, 2011 and 2010, the principal balance of the line of credit was \$1,096,524 and \$1,096,774, respectively.

On August 2, 2011, the Organization paid the line of credit totaling \$53,725 in full.

On November 10, 2011, the Organization refinanced the two remaining lines of credit with JP Morgan Chase Bank into one business loan with a principal balance of \$2,935,000. The note matures on November 10, 2016 and the interest rate is 5.25%. The note is collateralized by three properties owned by the Organization.

On November 10, 2011, the Organization established a line of credit with JP Morgan Chase Bank for a maximum borrowing of \$100,000. The line of credit becomes due on November 10, 2012 and the interest rate is 5.567%. The note is collateralized by three properties owned by the Organization.

The schedule of maturities for the years ending June 30 is as follows:

2012	\$	124,860
2013		133,490
2014		140,873
2015		148,663
2016		156,885
thereafter		<u>2,280,474</u>
		<u>\$ 2,985,245</u>

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 10, 2011, and determined that, except as noted in footnote K, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*

*Limited Liability Companies

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, Louisiana

We have audited the financial statements of Odyssey House Louisiana, Inc. (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management, the Board of Directors, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

November 10, 2011



Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Odyssey House Louisiana, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of the Odyssey House Louisiana, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Odyssey House Louisiana, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Odyssey House Louisiana, Inc.'s compliance with those requirements.

In our opinion, the Odyssey House Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Board of Directors, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

November 10, 2011

SUPPLEMENTARY INFORMATION

ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Funds passed through the City of New Orleans			
Ryan White Title I	93.118	K08-615	\$ 50,747
Funds passed through the State of Louisiana			
Department of Health and Hospitals			
MHSD LAPPW	93.243	675153	239,558
SAMHSA - AAFT	93.243	1H79T1023197-01	237,977
SAMHSA - No AIDS Task Force	93.243	1H79T1019798-01	118,219
SAMHSA - Home First New Orleans	93.243		54,639
Temporary Assistance to Needy Families	93.558	674709	268,024
LA Public Health Institute - Primary Care Access and Stabilization Grant	93.779	155580164	140,321
MHSD Residential	93.959	673662	68,992
MHSD Intensive Outpatient Program	93.959	675152	7,847
Total U.S. Department of Health and Human Services			<u>1,186,324</u>
U.S. Department of Housing and Urban Development			
Funds passed through Unity of Greater New Orleans, Inc.:			
Unity - Permanent Supportive Housing	14.157	LA 48B 60 3001	405,353
Unity - Permanent Supportive Housing II	14.157	LA 48B 40 3001	428,528
Unity - Supportive Housing	14.235	LA0081B6BH30801	194,446
Unity - Homelessness Prevention and Rapid Re-Housing Programs	14.257	HPRP-009(09)	171,002
Unity - Shelter Plus Care	14.238	LA0081B6BH30801	2,499
Funds passed through the City of New Orleans:			
Housing Opportunity for People with Aids	14.241	LAH05004	85,725
Total U.S. Department of Housing and Urban Development			<u>1,287,553</u>
U.S. Department of Justice			
Funds passed through the State of Louisiana:			
U.S. Probation Grant	16.593	07-DP-002B	140,314
Total U.S. Department of Justice			<u>140,314</u>
U.S. Department of Labor			
Louisiana Community Prisoner Reformation	17.161	PE-15250-06-60	361,733
Total U.S. Department of Labor			<u>361,733</u>
Total Federal Awards			<u>\$ 2,975,924</u>

See independent auditors' report.

**ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Odyssey House Louisiana, Inc. and is presented on the accrual basis of accounting. Grant revenues are recorded, for financial reporting purposes, when Odyssey House Louisiana, Inc. has met the cost of reimbursement or funding qualifications for the respective grants.

**ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
Material weaknesses identified? _____ yes X no
Significant deficiencies identified
not considered to be material weaknesses? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
Material weaknesses identified? _____ yes X no
Significant deficiencies identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510 (a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program
93.243	SAMHSA- Projects of Regional and National Significance

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000
Auditee qualified as low-risk audit? X yes no

**Section II - Findings related to the financial statements that are required to be reported
in accordance with *Governmental Auditing Standards***

No findings noted for the year ended June 30, 2011

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

No findings noted for the year ended June 30, 2011